



AGENDA DATE: 10/10/00
AGENDA ITEM: 8B

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

IN THE MATTER OF THE PETITION OF)
FOCAL COMMUNICATIONS OF NEW)
JERSEY FOR AUTHORITY TO)
PARTICIPATE IN CERTAIN FINANCING)
AGREEMENTS)

ORDER OF APPROVAL

DOCKET NO.: TF00070502

Porzio, Bromberg & Newman, P.C., by Howard J. Schwartz, Esq., Morristown, New Jersey, for Focal Communications Corporation of New Jersey

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising Accountant and Julie Huff, Accountant II, Office of the Economist, on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

Focal Communications Corporation of New Jersey (Focal or Petitioner), a Delaware corporation and public utility subject to the jurisdiction of the Board, filed a petition on July 17, 2000, pursuant to N.J.S.A. 48:3-7 and 48:3-9, requesting authority to enter into financing arrangements whereby Focal will pledge certain assets as collateral in connection with the entry by Focal's parent company, Focal Communications Corporation (Focal Communications), into secured credit facilities with a syndicate of financial institutions. The secured credit facilities are intended to be in an aggregate principal amount of up to \$600 million. Petitioner is authorized to provide facilities-based and resold telecommunications services in the State of New Jersey pursuant to an Order issued by the Board on June 10, 1998 in Docket No. TT97060400.

In connection with Focal Communications' entry into senior secured credit facilities with a syndicate of financial institutions, Petitioner and its affiliates intend to act as guarantors and grant a perfected security interest in substantially all of their tangible and intangible assets. The senior secured facilities will be in aggregate principal amount of up to \$300 million. In addition, a subsidiary of Focal Communications may borrow an additional \$300 million from an incremental facility which would be secured in the same manner. Focal Communications plans to use the proceeds of the loans under these credit facilities to expand and develop the network and operations of its operating subsidiaries and to make other capital expenditures or permitted acquisitions necessary to execute its business plan.

The \$300 million of senior secured credit facilities is composed of the following: (i) \$150,000,000 seven-year reducing revolving facility (Revolving Loan Facility); and (ii) \$150,000,000 seven-year term loan facility (Delayed Draw Term Loan). The borrower may elect that the loans comprising each borrowing bear interest at a rate per annum equal to the Base Rate plus 2.5% or the Eurodollar Rate plus 3.50%.

Petitioner's greater access to capital will strengthen its ability to bring competitive telecommunication services to consumers in the State of New Jersey and is, therefore, in the public interest.

With regard to the Petitioner's motion for a Protective Order with respect to Exhibit 1 attached to responses to Staff Data Request dated August 18, 2000, the Board FINDS that the Petitioner has shown good cause that this information merits protection from disclosure in order to prevent competitive harm to the Petitioner. Therefore, the Board GRANTS Petitioner's motion and DIRECTS that this financial information be kept under seal.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, and being satisfied with the action proposed to be taken by Petitioner as indicated above, and finding that the transaction is in accordance with the law, and is in the public interest, and approving the purposes thereof, HEREBY AUTHORIZES Focal Communications Corporation of New Jersey to participate in financing arrangements under the credit facility described herein.

This Order is issued subject to the following Provisions:

1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. Petitioner shall semiannually file statements for the amounts and use of the credit facilities pursuant to N.J.A.C. 14:1-5.9 (b).
3. This Order shall not affect, or in any way limit the exercise of the authority of this Board, or of the State, in any future petitions or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters, affecting the Petitioner.

DATED: October 13, 2000

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]
HERBERT H. TATE
PRESIDENT

[SIGNED]
CARMEN J. ARMENTI
COMMISSIONER

[SIGNED]
FREDERICK F. BUTLER
COMMISSIONER

ATTEST: [SIGNED]
FRANCES L. SMITH
SECRETARY